

NEVADA STATE BOARD OF MEDICAL EXAMINERS
FINANCIAL STATEMENTS
AND INDEPENDENT AUDITORS' REPORT
JUNE 30, 2004 AND 2003

NEVADA STATE BOARD OF MEDICAL EXAMINERS
TABLE OF CONTENTS
JUNE 30, 2004 AND 2003

	<u>Page</u>
Independent Auditors' Report	2
Management's Discussion and Analysis	3 - 8
Financial Statements:	
Balance Sheets – Proprietary Fund	9
Statements of Revenues, Expenditures and Changes in Net Assets Proprietary Fund	10
Statements of Cash Flows – Proprietary Fund	11
Notes to Financial Statements	12 – 17
Other Supplementary Schedule:	
Schedules of Revenues and Expenditures with Budget Comparison - Proprietary Fund	19

INDEPENDENT AUDITORS' REPORT

Board Members
Nevada State Board of Medical Examiners
Reno, Nevada

We have audited the accompanying financial statements of the Nevada State Board of Medical Examiners (a state agency) as of June 30, 2004 and 2003, as listed in the table of contents. These financial statements are the responsibility of the Nevada State Board of Medical Examiners' management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Nevada State Board of Medical Examiners as of June 30, 2004 and 2003, and respective changes in financial position and cash flows for the years then ended in conformity with generally accepted accounting principles in the United States of America.

The management's discussion and analysis on pages three through eight is not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Nevada State Board of Medical Examiners basic financial statements. The other supplementary schedule is presented for purposes of additional analysis and is not a required part of the basic financial statements. The other supplementary schedule has been subjected to the auditing procedures applied in the audit of the basic financial statements and in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

July 28, 2004

Management's Discussion and Analysis

Within this section of the Nevada State Board of Medical Examiners (the Board) annual financial report, the Board's management provides narrative discussion and analysis of the financial activities of the Board for the fiscal year ended June 30, 2004. The Board's financial performance is discussed and analyzed within the context of the accompanying financial statements and disclosures following this section.

Financial Highlights

- The Board's assets exceeded its liabilities by \$2,974,073 (net assets) for the fiscal year reported. This compares to the previous year when assets exceeded liabilities by \$3,678,004.
- Total net assets are comprised of the following:
 1. Cash, capital assets include property and equipment net of accumulated depreciation.
 2. Unrestricted net assets of \$2,626,374 represent the portion available to maintain the Board's continuing obligations and operations.
- During the current year the general fund expenditures were \$2,382,379 or 80.1% of the total net assets.
- Total liabilities which includes deferred revenue of the Board decreased by (\$662,945) to \$1,457,933 during the fiscal year.

Overview of the Financial Statements

Management's Discussion and Analysis introduces the Board's basic financial statements. The basic financial statements include: 1. The general fund financial statements, and 2. Notes to the financial statements. The Board also includes in this report additional information to supplement the basic financial statements.

Board's Financial Statements

The financial report for the general fund uses a perspective similar to that found in the private sector with its basis in full accrual accounting.

The first of these statements is the Balance Sheet. This in the Board's statement of position presenting information that includes all the Board's assets and liabilities, with the difference reported as net assets. Over time, increases and decreases in net assets may serve as a useful indicator of whether the financial position of the Board as a whole is improving or deteriorating.

The second statement is the statement of Revenues, Expenditures and Changes in Net Assets which reports how the Board's net assets changed during the current fiscal year. All current year revenues are the result of the actual receipt of cash, and expenditures are included regardless of when cash is paid. An important purpose of the design of the statement of revenues, expenditures and changes in net assets is to show the financial reliance of the Board's distinct activities or functions on revenues provided by the licensing process.

The financial statements distinguish activities of the Board that are principally supported from business type activities that are intended to recover all or a significant portion of their costs through user fees and charges. The Board's activities include the regulation and licensing of various medical related fields which includes medical doctors.

Notes to the financial statements:

The accompanying notes to the financial statements provide information essential to a full understanding of the Board's financial statements. The notes to the financial statements begin immediately following the basic financial statements.

Other information:

In addition to the basic financial statements and accompanying notes, this report also presents certain other supplementary information which includes a budget to actual comparison schedule using the format from statement of revenues, expenditures, and changes in net assets.

Financial Analysis of the Board as a Whole

As year-to-year financial information is accumulated on a consistent basis, changes in net assets may be observed and used to discuss the changing financial position of the Board as a whole.

The Board's net assets at fiscal year-end are \$2,974,073. This is a (\$703,931) decrease over last year's net assets of \$3,678,004. The following table provides a summary of the Board's net assets:

Summary of Net Assets				
	2004	2003	Amount Change	% Change
Current and other assets	\$ 4,153,122	\$ 5,626,142	\$ (1,473,020)	(26%)
Capital assets, net of accumulated depreciation	278,884	172,740	106,144	61%
Total assets	4,432,006	5,798,882	(1,366,876)	(24%)
Current liabilities	1,457,933	2,120,878	(662,945)	(31%)
Total liabilities	1,457,933	2,120,878	(662,945)	(31%)
Net Assets				
Invested in capital assets	347,699	192,569	155,130	81%
Unrestricted net assets	2,626,374	3,485,435	(859,061)	(24%)
Total net assets	\$ 2,974,073	\$ 3,678,004	\$ (703,931)	(19%)

The current year decrease in net assets was anticipated and is attributable to the Board's reduction of licensing fees for physicians from \$600 to \$400 and eliminating fees for supervising physicians of \$200 in 2002.

Other less positive factors affected the Board's activities. Market performance continues to be a concern to the Board. The safeguarding and maintenance of the Board's most liquid assets is a priority. Investment income is also a component of the resources funding the Board's continuing operations. As market pressures continued, investment performance declined during the 2004 fiscal year.

For the fiscal year ending June 2004, income decreased to (\$703,931) from \$274,346 in the prior year. This decline was expected due to the above mentioned fee reductions and anticipated increased expenditures for expansion. Although overall revenues decreased, there was an increase in application revenue. The continued growth of the local area has resulted in an increased number of applicants for licensure as well as an increased number of licensees. During the current fiscal year there was also an increase in staff for both the investigative and licensing departments to accommodate the overall population increase.

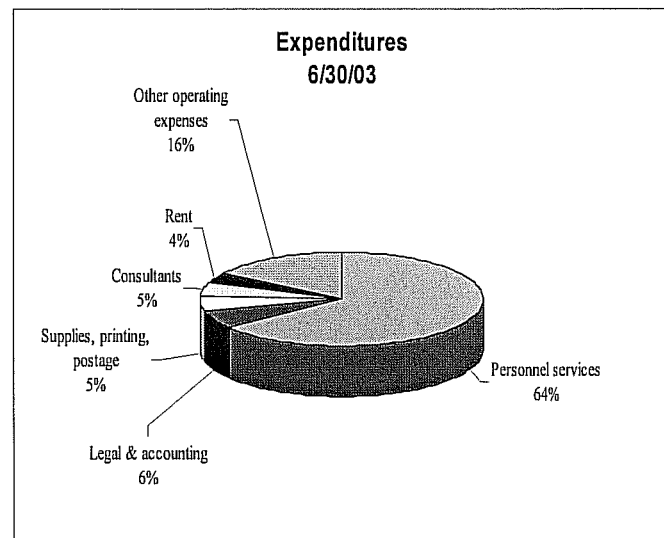
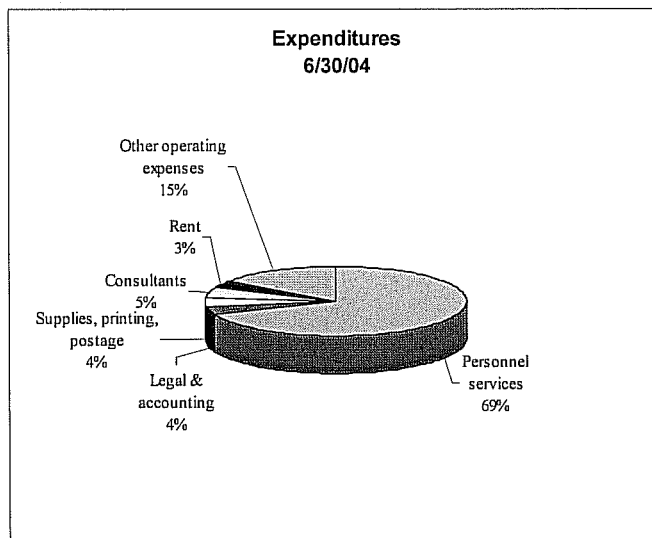
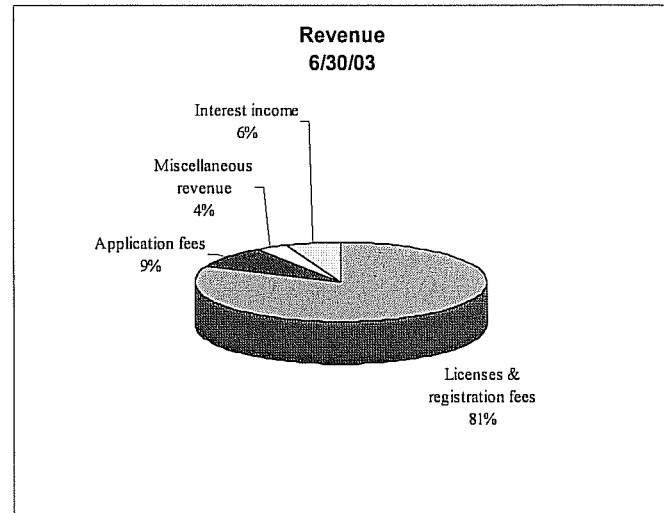
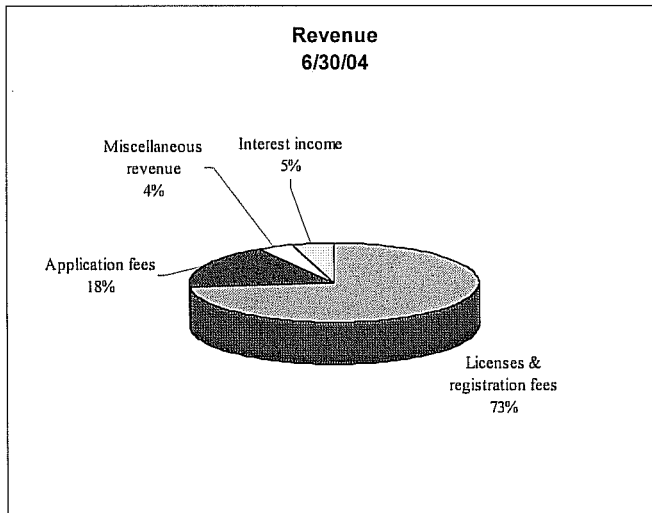
While overall revenues decreased, revenues were greater than budgeted.

Comparative data is accumulated and presented to assist analysis. The following table provides a summary of the Board's changes in net assets:

Management's Discussion and Analysis
June 30, 2004

Summary of Changes in Net Assets

	<u>2004</u>	<u>2003</u>	<u>Amount Change</u>	<u>% Change</u>
Revenues	\$ 1,600,706	\$ 2,028,788	\$ (428,082)	(21%)
Expenses				
Personnel	1,638,859	1,220,304	418,555	34%
Operations	743,519	666,798	76,721	12%
Total expenses	<u>2,382,378</u>	<u>1,887,102</u>	<u>495,276</u>	<u>26%</u>
Interest income	<u>77,742</u>	<u>132,660</u>	<u>54,918</u>	<u>(41%)</u>
Change in net assets	(703,931)	274,346	(978,276)	(357%)
Beginning net assets	<u>3,678,004</u>	<u>3,403,658</u>	<u>274,346</u>	<u>8%</u>
Ending net assets	<u>\$ 2,974,073</u>	<u>\$ 3,678,004</u>	<u>\$ (703,931)</u>	<u>(19%)</u>



Financial Analysis of the Board's Funds

The Board's operating fund decreased by (\$703,931), as a result of an increase in operating costs as well as a decrease in renewal fees. The increase does not reflect the purchase of capital equipment.

Budgetary Highlights

The Board's budget for the fiscal year 2004 was approximately \$2.9 million. This was an increase of \$1 million from the budget for fiscal year 2002-2003. The Board's budget is not amended during the year.

The Board's budget included appropriations of prior years' accumulated fund balance in support of the Board's plan for unknown contingencies, facility repair and equipment maintenance and replacement.

The budget also included additional costs for legal fees and investigations in relation to the increase in the number of cases processed by the Board.

Capital Assets

The Board's investment in capital assets and net of accumulated depreciation as of June 30, 2004 was \$278,884, an increase of 61% over prior year. Capital asset additions during the current fiscal year included computers, furniture and office equipment of \$155,130. In compliance with GASB 34, major asset acquisitions have been capitalized.

Capital Assets Net of Accumulated Depreciation

	<u>2004</u>	<u>2003</u>	<u>% Change</u>
Depreciable Assets:			
Furniture and equipment	\$ 115,651	\$ 26,496	336%
Computers, software, and printers	<u>163,233</u>	<u>146,244</u>	12%
Total capital assets	\$ <u>278,884</u>	\$ <u>172,740</u>	61%

Economic Environment and Next Year's Budgets and Rates

The Board increased the budget for personnel expense for the current year to cover the cost of hiring additional investigators, licensing specialists and legal counsel, and to cover the cost of replacement and training of key employees. The executive secretary, deputy executive secretary, accounting manager and Board attorney all retired during the fiscal year ending June 30, 2004.

In lieu of opening a satellite office in Las Vegas, the Board purchased video conferencing equipment and installed the equipment in its office in Reno and the office of the Nevada State Board of Dental Examiners in Las Vegas.

Lower licensing revenue and increasing costs have, and will continue to, forced the Board to use already accumulated funds. It is the intent of the 2004-2005 budget to have less than \$1,500,000 left in the fund balance. This amount is deemed an appropriate and prudent balance to cover any unexpected contingencies.

**NEVADA STATE BOARD OF MEDICAL EXAMINERS
BALANCE SHEETS - PROPRIETARY FUND
JUNE 30, 2004 AND 2003**

ASSETS

	<u>2004</u>	<u>2003</u>
CURRENT ASSETS		
Cash (Note B)	\$ 1,844,822	\$ 2,519,738
Short-term investments (Note C)	<u>2,285,000</u>	<u>3,090,000</u>
Total current assets	4,129,822	5,609,738
 CAPITAL ASSETS , net of accumulated depreciation of \$68,815 and \$19,829 respectively (Note D)	 278,884	 172,740
 OTHER ASSETS		
Prepaid expenses	<u>23,300</u>	<u>16,404</u>
Total assets	<u><u>\$ 4,432,006</u></u>	<u><u>\$ 5,798,882</u></u>

LIABILITIES AND NET ASSETS

CURRENT LIABILITIES		
Accounts payable	\$ 40,015	\$ 23,983
Accrued compensated absences and other liabilities	59,778	51,761
Deferred revenue (Note E)	<u>1,358,140</u>	<u>2,045,134</u>
Total current liabilities	<u>1,457,933</u>	<u>2,120,878</u>
 NET ASSETS		
Invested in capital assets	347,699	192,569
Unrestricted net assets	<u>2,626,374</u>	<u>3,485,435</u>
Total net assets	<u>2,974,073</u>	<u>3,678,004</u>
Total liabilities and net assets	<u><u>\$ 4,432,006</u></u>	<u><u>\$ 5,798,882</u></u>

See accompanying notes and auditors' report

NEVADA STATE BOARD OF MEDICAL EXAMINERS
STATEMENTS OF REVENUES, EXPENDITURES AND CHANGES IN NET ASSETS -
PROPRIETARY FUND
FOR THE YEARS ENDED JUNE 30, 2004 AND 2003

	<u>2004</u>	<u>2003</u>
OPERATING REVENUE		
Licenses and registration fees	\$ 1,226,044	\$ 1,761,223
Application fees	310,100	188,000
Miscellaneous revenue	64,562	79,565
Total operating revenue	<u>1,600,706</u>	<u>2,028,788</u>
OPERATING EXPENDITURES		
Personnel services	1,638,859	1,220,304
Diversion program	110,000	85,210
Operating supplies, printing and postage	94,473	92,414
Legal and accounting	94,384	120,996
Rent	83,065	70,615
Advertising	60,660	60,660
Investigation	56,888	46,739
Travel	55,322	34,101
Depreciation expense	48,985	17,202
Maintenance	44,151	21,012
Telephone	32,214	40,340
Equipment rental	24,240	27,595
Host fund	18,496	12,007
Hearing officers	11,477	21,521
Dues and registrations	8,665	11,688
Insurance	500	4,698
Total operating expenditures	<u>2,382,379</u>	<u>1,887,102</u>
Operating income (loss)	(781,673)	141,686
NON-OPERATING REVENUES		
Interest income	<u>77,742</u>	<u>132,660</u>
Change in net assets	(703,931)	274,346
TOTAL NET ASSETS, beginning	<u>3,678,004</u>	<u>3,403,658</u>
TOTAL NET ASSETS, ending	<u><u>\$ 2,974,073</u></u>	<u><u>\$ 3,678,004</u></u>

See accompanying notes and auditors' report

**NEVADA STATE BOARD OF MEDICAL EXAMINERS
STATEMENTS OF CASH FLOWS - PROPRIETARY FUND
FOR THE YEARS ENDED JUNE 30, 2004 AND 2003**

	<u>2004</u>	<u>2003</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from operations	\$ 994,765	\$ 2,391,953
Payments for operating expenses	(761,453)	(695,407)
Payments for personnel services	<u>(1,635,840)</u>	<u>(1,214,939)</u>
Net cash provided (used) by operating activities	<u>(1,402,528)</u>	<u>481,607</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest and dividends	77,742	132,660
Proceeds from certificates of deposit	2,494,000	100,025
Purchases of certificates of deposit	<u>(1,689,000)</u>	<u>(992,000)</u>
Net cash provided (used) by investing activities	<u>882,742</u>	<u>(759,315)</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Acquisitions of capital assets	<u>(155,130)</u>	<u>(145,029)</u>
NET DECREASE IN CASH AND CASH EQUIVALENTS	(674,916)	(422,737)
CASH AND CASH EQUIVALENTS AS OF BEGINNING OF YEAR	<u>2,519,738</u>	<u>2,942,475</u>
CASH AND CASH EQUIVALENTS AS OF END OF YEAR	<u><u>\$ 1,844,822</u></u>	<u><u>\$ 2,519,738</u></u>
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES:		
OPERATING INCOME	\$ (781,673)	\$ 141,686
Adjustments to reconcile operating income (loss) to net cash flow from operating activities		
Depreciation expense	48,985	17,202
Change in assets and liabilities:		
Prepaid expenses	(6,896)	(13,356)
Deferred revenue	(686,994)	306,727
Accounts payable	16,033	23,983
Accrued liabilities	<u>8,017</u>	<u>5,365</u>
Net cash provided (used) by operating activities	<u><u>\$ (1,402,528)</u></u>	<u><u>\$ 481,607</u></u>

See accompanying notes and auditors' report

**NEVADA STATE BOARD OF MEDICAL EXAMINERS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2004 AND 2003**

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Nevada State Board of Medical Examiners (the Board) is regulated by Nevada Revised Statutes to function as an independent government agency. The Board is the licensing and regulatory agency for physicians, physician assistants and respiratory therapists in the State of Nevada.

The financial statements of the Board have been prepared in accordance with generally accepted accounting principles as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the authoritative standard-setting body for establishing governmental accounting and financial reporting principles.

A summary of the Board's significant accounting policies consistently applied in the preparation of the accompanying financial statements follows:

1. Reporting Entity

The Board reports its financial condition on an annual basis to the Department of Administration. The Board's financial statements are not included in the general purpose financial statements of the State of Nevada.

2. Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The Board uses a proprietary fund to account for its financial position and results of operations. Proprietary fund types are used to account for activities conducted on a fee-for-service basis in a manner similar to commercial enterprises. The measurement focus is upon determination of net income, financial position and changes in cash flows.

The Board applies all GASB pronouncements as well as the Financial Accounting Standards Board pronouncements issued on or before November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements.

The Board maintains its accounting records on an economic resources measurement focus using the accrual basis of accounting. Revenues are recognized when earned and expenditures are recognized when the related liabilities are incurred.

Operating income reported in the financial statements includes revenues and expenses related to the primary, continuing operations of the Board. The primary sources of revenue are licensing, registration and application fees from physicians, physician assistants and respiratory therapists, and revenue from miscellaneous sources. Miscellaneous revenues are composed of fees charged for copy requests, letters of good standing, physician listings and label requests, and legal fee recoveries. Principal operating expenses are the costs of providing goods or services and include administrative expenses and depreciation of capital assets.

(Continued)

**NEVADA STATE BOARD OF MEDICAL EXAMINERS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2004 AND 2003**

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2. Measurement Focus , Basis of Accounting, and Financial Statement Presentation
(continued)

Other revenues and expenses are classified as non-operating in the financial statements. The primary source of non-operating revenue is interest income. There are generally no non-operating expenses.

3. Budgetary Data

Formal budgetary accounting is employed as a management control. Annual operating budgets are adopted each fiscal year by the Board. The budget is prepared using the same generally accepted accounting principles used in preparing the financial statements.

4. Comparative Data

Summaries of comparative data for the prior year have been presented in the accompanying financial statements to provide an understanding of changes in Nevada State Board of Medical Examiners' financial position and operations.

5. Cash, Cash Equivalents and Short-Term Investments

Cash and investments are carried at cost, which approximates market value. The carrying amounts of cash and investments are separately displayed on the balance sheet as "cash" and "short-term investments" (certificates of deposit).

The balances in the cash accounts are available to meet current operating requirements and are readily identifiable. Cash in excess of current requirements is invested in various interest-bearing investment accounts as provided by NRS 630.110.4(a), displayed on the balance sheet as "short-term investments".

Interest is accrued on short-term investments at year-end as the short-term investments are generally held to maturity.

6. Fixed Assets

Equipment, furniture, and fixtures purchased by the Board are reflected in the balance sheet. Depreciation of property and equipment is determined on the straight-line method based upon the estimated useful lives of assets, generally estimated as follows: furniture and fixtures, seven years and computers, computer software and equipment, five years. The capitalization policy of the Nevada State Board of Medical Examiners is to capitalize acquisitions over \$500. Repairs and maintenance, which are not considered betterments and do not extend the useful life of property and equipment, are charged to expense as incurred. When property and equipment are retired or otherwise disposed of, the asset and accumulated depreciation are removed from the accounts and the resulting profit or loss is reflected in income.

(Continued)

**NEVADA STATE BOARD OF MEDICAL EXAMINERS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2004 AND 2003**

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

7. Compensated Absences

Employees of the Board, depending on job classification, length of service and other factors, are entitled paid vacations and compensated absences at the employee's standard hourly rates. An accrual for accumulated and vested vacation and compensated absences has been established as a liability in the accompanying financial statements.

It is the Board's policy to recognize the costs for sick days and other absences when taken by employees.

8. Use of Estimates

The preparation of financial statements in accordance with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

NOTE B – CASH

Cash consisted of the following as of June 30:

	<u>2004</u>	<u>2003</u>
Checking and money market accounts	\$ 1,844,622	\$ 2,519,538
Cash on hand	<u>200</u>	<u>200</u>
Total cash and cash equivalents	<u>\$ 1,844,822</u>	<u>\$ 2,519,738</u>

The following is a summary of the total insured, collateralized, and uninsured cash balances as of June 30:

	<u>2004</u>	<u>2003</u>
Total cash held in Wells Fargo Bank	\$ 1,844,622	\$ 2,553,862
Portion insured by FDIC	(100,000)	(100,000)
Portion collateralized by Wells Fargo Bank	<u>(2,716,419)</u>	<u>(2,753,746)</u>
Uninsured cash balances	<u>\$ -</u>	<u>\$ -</u>

Accounts are insured by the Federal Deposit Insurance Corporation (FDIC) up to \$100,000. Wells Fargo's collateralized balances are increased throughout the year to safeguard balances in excess of FDIC coverage.

NEVADA STATE BOARD OF MEDICAL EXAMINERS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2004 AND 2003

NOTE C - SHORT-TERM INVESTMENTS

Short-term investments consist of the following as of June 30:

	<u>2004</u>	<u>2003</u>
Wells Fargo Investments		
Time certificates of deposit	\$ 2,285,000	\$ 2,890,000
State Farm Bank Investments		
Time certificates of deposit	-	100,000
First National Bank of Nevada		
Time certificates of deposit	<u>-</u>	<u>100,000</u>
Total short-term investments	<u>\$ 2,285,000</u>	<u>\$ 3,090,000</u>

The following is summary of the insured and uninsured short-term investments balances as of June 30:

	<u>2004</u>	<u>2003</u>
Total short-term investments	\$ 2,285,000	\$ 3,090,000
Portion insured by FDIC	(1,600,000)	(1,598,025)
Government backed investments	<u>(700,000)</u>	<u>(600,000)</u>
Uninsured short-term investments	<u>\$ -</u>	<u>\$ -</u>

By provisions of statutes, the Board is authorized to deposit all money in banks or savings and loan associations located in the State of Nevada.

NOTE D – FIXED ASSETS

Property and equipment consisted of the following as of June 30:

	<u>2004</u>	<u>2003</u>
Furniture and equipment	\$ 130,425	\$ 30,031
Computers, software and printers	<u>217,274</u>	<u>162,538</u>
	347,699	192,569
Less: accumulated depreciation	<u>(68,815)</u>	<u>(19,829)</u>
	<u>\$ 278,884</u>	<u>\$ 172,740</u>

The acquisitions for June 30, 2004 and 2003 were \$155,130 and \$145,029, respectively. There were no dispositions in either year. Depreciation expense for the years ended June 30, 2004 and 2003 was \$48,985 and \$17,202, respectively.

NEVADA STATE BOARD OF MEDICAL EXAMINERS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2004 AND 2003

NOTE E – DEFERRED REVENUE

The Board administers its licensing registration on biennial periods. Deferred revenue represents revenue from the biennial renewal of licenses and is recognized ratably over the renewal period.

NOTE F – PENSION PLAN

The Board is a public employer participating in the Public Employees Retirement System of the State of Nevada (PERS), a defined benefit cost sharing multiple-employer program. PERS administers retirement, disability, death benefits and survivor benefits to participating public employees of the State of Nevada. It operates under NRS 286. To obtain a copy of the PERS annual financial report, contact the PERS office at 693 West Nye Lane, Carson City, Nevada 89703.

All full-time employees of the Board are covered by PERS. Regular members are eligible for retirement at age 65 with five years of service, at age 60 with ten years of service or at any age with thirty years of service. In the event that an employee retires early there is a 4% benefit reduction for each full year of early retirement. Participants are eligible for benefits of 75%-90% of average compensation, based on years of service and age at retirement. An employee is fully vested after five years of creditable service and entitled to benefits for which they are eligible.

Member contribution rates are established by statute. The statute provides for yearly increases of up to 1% until such time as the actuarially determined unfunded liability of the plan is reduced to zero. These increases are based on the percentage increase in taxable revenues over the base year of 1983. The Board is enrolled in the employer paid contribution plan and in the current year has enrolled in the employer/employee paid contribution plan of PERS. The contribution rate for the employer paid contribution plan during the years ended June 30, 2004, 2003, and 2002 were 20.25%, 18.75%, and 18.75%, respectively, for regular employees on all covered payroll. The contributions made on behalf of Board employees for the years ended June 30, 2004, 2003, and 2002 were \$214,812, \$159,461, and \$133,409, respectively. The contribution rate under the employer/employee paid contribution plan during the fiscal year ended June 30, 2004 fiscal year was 10.25%. The contributions made on behalf of Board employees for the year ended June 30, 2004 was \$3,544 the contributions made by employees for the year ended June 30, 2004 was also \$3,544.

**NEVADA STATE BOARD OF MEDICAL EXAMINERS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2004 AND 2003**

NOTE G - OPERATING LEASE

The Board leases office space in Reno, expiring March 31, 2009. Rent expense will increase \$.15 per square foot on July 1, 2004 and \$.05 per square foot each year thereafter. Rent expense for the years ending June 30, 2004 and 2003 was \$83,065 and \$70,615, respectively.

The following is a schedule, by years, of future minimum rental payments required under the operating leases for the years ending June 30:

2005	\$	112,200
2006		116,688
2007		121,176
2008		125,664
2009		<u>130,152</u>
	\$	<u>605,880</u>

NOTE H - RESTRICTED FUNDS AND RECOVERY OF EXPENDITURES

The Board at times has periodically received restricted funds in connection with physician settlement agreements whereby the physician agrees to remit amounts to the Board to be used for public protection, enforcement and public awareness efforts. During the year ended June 30, 2004 and 2003, no funds were received.

The Board also receives funds from recovery of costs incurred. Per NRS 630.352 if the Board finds that a violation by a physician has occurred, it may order the physician to reimburse to the Board all costs relating to the disciplinary proceedings. During the years ended June 30, 2004 and 2003, the Board recovered approximately \$10,268 and \$23,474, respectively, relating to these costs.

NOTE I - INCOME TAXES

The Nevada State Board of Medical Examiners is a state agency and not subject to federal income taxes under Code Section 115(1), 1954 I.R.C.

NOTE J – RECLASSIFICATIONS

Certain amounts in the 2003 financial statements have been reclassified to conform with current year presentation with no effect on net income.

SUPPLEMENTARY SCHEDULE

NEVADA STATE BOARD OF MEDICAL EXAMINERS
SCHEDULES OF REVENUES AND EXPENDITURES WITH BUDGET COMPARISON - PROPRIETARY FUND
FOR THE YEARS ENDED JUNE 30, 2004 AND 2003

	<u>2004</u> <u>ACTUAL</u>	<u>2004</u> <u>BUDGET</u>	<u>VARIANCE</u> <u>FAVORABLE</u> <u>(UNFAVORABLE)</u>	<u>2003</u> <u>ACTUAL</u>	<u>2003</u> <u>BUDGET</u>	<u>VARIANCE</u> <u>FAVORABLE</u> <u>(UNFAVORABLE)</u>
OPERATING REVENUES						
Licenses and registration fees	\$ 1,226,044	\$ 1,176,900	\$ 49,144	\$ 1,761,223	\$ 1,536,400	\$ 224,823
Application fees	310,100	193,200	116,900	188,000	229,800	(41,800)
Miscellaneous revenues	<u>64,562</u>	<u>70,000</u>	<u>(5,438)</u>	<u>79,565</u>	<u>75,000</u>	<u>4,565</u>
Total operating revenues	<u>1,600,706</u>	<u>1,440,100</u>	<u>160,606</u>	<u>2,028,788</u>	<u>1,841,200</u>	<u>187,588</u>
OPERATING EXPENDITURES						
Staff salaries	1,196,170	1,216,912	20,742	922,500	860,000	(62,500)
Retirement	218,669	249,500	30,831	159,461	161,000	1,539
Group health insurance	127,871	135,000	7,129	76,369	70,000	(6,369)
Payroll taxes	41,844	45,000	3,156	31,334	40,000	8,666
Board salaries	22,560	24,000	1,440	16,960	20,000	3,040
Secretary/treasurer salary	12,000	12,000	-	12,000	12,000	-
Personnel, other	19,746	-	(19,746)	1,680	-	(1,680)
Unallocated	-	75,000	75,000	-	-	-
Legal	43,269	150,000	106,731	106,752	95,500	(11,252)
Consultants	-	-	-	85,210	10,000	(75,210)
Rent	83,065	95,000	11,935	70,615	75,000	4,385
Advertising	60,660	100,000	39,340	60,660	60,000	(660)
Postage	26,171	75,000	48,829	47,154	40,700	(6,454)
Investigation	56,888	60,000	3,112	46,739	25,000	(21,739)
Telephone	32,214	75,000	42,786	40,340	40,000	(340)
Travel	55,322	60,000	4,678	34,101	50,000	15,899
Operating supplies	47,310	40,000	(7,310)	30,712	25,000	(5,712)
Equipment rental	24,240	35,000	10,760	27,595	30,000	2,405
Hearing officers	11,477	50,000	38,523	21,521	25,000	3,479
Depreciation expense	48,985	-	(48,985)	17,202	-	(17,202)
Printing and copying	20,991	45,000	24,009	14,548	25,000	10,452
Accounting and audit	51,115	100,000	48,885	14,244	15,000	756
Host fund	18,496	10,500	(7,996)	12,006	10,500	(1,506)
Dues and registration	8,665	11,000	2,335	11,688	7,000	(4,688)
Office maintenance	10,595	20,000	9,405	11,371	12,000	629
Equipment maintenance	33,556	5,000	(28,556)	9,641	5,000	(4,641)
Insurance	500	7,500	7,000	4,699	7,500	2,801
Diversion program	110,000	110,000	-	-	75,000	75,000
Post grad-competancy	<u>-</u>	<u>100,000</u>	<u>100,000</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total operating expenditures	<u>2,382,379</u>	<u>2,906,412</u>	<u>524,033</u>	<u>1,887,102</u>	<u>1,796,200</u>	<u>(90,902)</u>
CAPITAL OUTLAY						
Office furniture and equipment	-	35,000	35,000	-	35,000	35,000
Computer-hardware and software	<u>-</u>	<u>75,000</u>	<u>75,000</u>	<u>-</u>	<u>75,000</u>	<u>75,000</u>
Total expenditures	<u>2,382,379</u>	<u>3,016,412</u>	<u>634,033</u>	<u>1,887,102</u>	<u>1,906,200</u>	<u>19,098</u>
NON-OPERATING REVENUES						
Interest income	<u>77,742</u>	<u>88,000</u>	<u>(10,258)</u>	<u>132,660</u>	<u>150,000</u>	<u>(17,340)</u>
 CHANGE IN NET ASSETS	 <u>\$ (703,931)</u>	 <u>\$ (1,488,312)</u>	 <u>\$ 784,381</u>	 <u>\$ 274,346</u>	 <u>\$ 85,000</u>	 <u>\$ 189,346</u>